



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Mark Danaj

**SUBJECT: WORKERS' COMPENSATION
UTILIZATION REVIEW**

DATE: May 23, 2007

Approved /s/

Date 05/25/07

RECOMMENDATION

This memorandum is prepared in response to a request made by Councilmember Constant at the May 7, 2007 Budget Study Session to review the current workers' compensation utilization review procedures to determine the causes of treatment delays and denials and determine if the process can be amended or enhanced to avoid treatment delays and unnecessary denials. In addition, this report includes a review of the City of Sunnyvale's utilization review program for best practices.

BACKGROUND

As a result of AB 227 and SB 228, every California employer as of January 1, 2004 is required to establish a utilization review program/process either through its insurer or an entity with which the employer contracts for these services. Before implementation, staff had carefully reviewed AB 227 and SB228 with the City Attorney's Office. The City Attorney's Office concurred that the City was required to establish and implement a utilization review program and adhered to the new legislation.

Fair Isaac Corporation performs the cost containment program for the City which includes the component of utilization review. The cost containment program also includes medical bill review to ensure the City is not being charged in excess of the California Official Medical Fee Schedule and a Preferred Provider Organization that allows the City to receive discounts from a network of hospital and medical providers below the California Official Medical Fee Schedule.

The purpose of utilization review is to ensure injured employees receive appropriate care to cure or relieve the effects of the industrial injury. Utilization review evaluates treatment requests or plans from physicians based on medical necessity. The State of California is currently using the American College of Occupational and Environmental Medicine Occupational Medical Practice Guidelines (ACOEM) as basis to review requested treatment plans.

BACKGROUND (CONT'D.)

Decisions must be communicated in a timely manner after "receipt of the information reasonably necessary to make the determination." In general, the utilization review decision must be within 5 days from the receipt of the necessary information. If more time is needed to obtain additional information, the timeframe for a decision is extended to 14 days. In cases of serious threat to the employee's health, decisions must be within 72 hours from the receipt of all necessary information. All utilization review determinations must be communicated within 24 hours of the decision. The utilization review decision must specify that the requested treatment plan is either approved or modified, delayed, or denied (a clear and concise explanation of the reasons for the decision must be provided).

An appeal process is available to the injured employee which allows the physician or employee the opportunity to present additional information to warrant the treatment request. The employee also has the option to request another opinion from a state panel of Qualified Medical Examiners.

The majority of all treatment delays and denials result from the following:

- ❑ Inadequate information provided by the treating physician.
- ❑ Treatment request does not fall within the ACOEM guidelines.
- ❑ The employee's treating physician does not always follow through with providing additional information or filing the appeal.

ANALYSIS

Utilization review works best when the employee's treating physician provides all the medical reasoning and information to substantiate the requested treatment plan on an initial and timely basis. During the first 3 quarters of this current fiscal year (07/01/2006 – 03/31/07), our utilization review statistics are as follows:

Number of utilization review referrals	1,280
Number of approvals (within 5 days)	824 (64%)
Number of denials	456 (36%)
Number of appeals requested	124
Number of appeals overturned and approved	55
Number of appeals upheld and remained denied	69

Staff reviewed the City of Sunnyvale's utilization review program with their Human Resource Analyst that oversees the worker's compensation claims.

The City of Sunnyvale has a third party administrator that handles their workers' compensation claims. This third party administrator contracts with utilization review company and has a utilization review nurse on site that is specifically assigned to their various clients. This nurse

ANALYSIS (CONT'D.)

reviews mainly basic treatment requests using the ACOEM guidelines as the basis for approval. The nurse makes a concerted effort to obtain all the necessary medical information before delaying or denying treatment by calling the medical providers and talking directly to the physicians and nurses for the additional information that is required.

Any complicated treatment or procedural request (e.g., surgery) is sent directly to the Utilization Review's headquarters for a formal review and decision.

The City of Sunnyvale also assigns a public safety officer at the Lieutenant level as a workers' compensation liaison. This Lieutenant provides assistance to employees by coordinating workers' compensation information between the public safety officers, Human Resources, and the Third Party Claims Administrator. The Lieutenant identifies and coordinates modified duty positions according to the employee's work restrictions. Another function of this liaison position is to assist the employees by scheduling their medical appointment to avoid treatment delays and expedite the return to work process. Due to confidentiality issues, the Lieutenant does not handle any aspect of the utilization review process in terms of reviewing medical information and is not involved in the approval of treatment requests.

The Police and Fire Departments have dedicated workers' compensation liaisons that perform many of the same functions as the public safety Lieutenant in the City of Sunnyvale. The workers' compensation program currently utilizes the City Physician as a resource to review utilization review decisions that may be considered "questionable" and provide his recommendations to Fair Isaac for reconsideration.

CONCLUSION

The following steps will be implemented to identify solutions to expedite or streamline the utilization review process:

- ❑ Review with Fair Isaac the process whereby they work more closely with the employee's treating physician to obtain all the necessary information before a delay or denial of treatment is issued. Procedures will be reevaluated to streamline the treatment approval process for our employees.
- ❑ In the 2007-2008 Proposed Operating budget, 5 additional adjusters will be hired to augment existing staff and will lower caseloads to a more reasonable level, allowing for improved management of the utilization review process to avoid unnecessary delays for the injured worker.
- ❑ Reallocate the workers' compensation staff to allow adjusters dedicated solely to the Police and Fire departments which will enable a better understanding of the specific needs of our public safety departments. In conjunction with the reorganization plans for caseload distribution, the two existing workers' compensation supervisors will no longer

CONCLUSION (CONT'D.)

have caseloads that will enable an enhanced oversight of utilization review cases that have potential delays and possible alternative solutions.

- ❑ Allocate a greater focus of the Return-To-Work Coordinator job duties to assist departments and the adjusting staff in identifying and coordinating temporary modified duty positions. In the 2007-2008 Proposed Operating budget, the Return-To-Work Coordinator is recommended as a permanent position.

COORDINATION

This MBA has been coordinated with the City Attorney's Office.

/s/
MARK DANAJ
Director, Human Resources